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India

Grain and Feed

India Raises Paddy Procurement Prices

2001

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Report Highlights:

India has increased its procurement prices for paddy by nearly four percent for the 2001/02 marketing year, further reducing its competitiveness in the world market.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

Government Announces Paddy Support Prices

The GOI has raised support prices for paddy for the 2001/02 marketing year (Oct/Sep) by rs. 200 (\$4.25)/ton, double the increase recommended by the Commission on Agricultural Costs and Prices. Prices will be rs. 5,300 (\$112.77)/ton for common varieties and rs. 5,600 (\$119.15)/ton for Grade A varieties. The major surplus rice growing state of Punjab, however, continues to demand a much higher support price.

Although farmers are not required to sell their paddy to the government at the support price, harvest prices normally fall below the support in the major surplus states of Punjab, Haryana and Andhra Pradesh, prompting farmers to sell to the Food Corporation of India or other government procurement agencies. However, the bulk of the government's procurement typically comes from millers who must sell a portion (ranging from 75 percent in Punjab and Haryana to 50 percent in Andhra Pradesh) of their milled production at a government established rate called the "levy price." Levy prices are linked to the procurement price (support price) and milling costs and were rs. 9,036 (\$192.26)/mt for common varieties and rs. 9,300 (\$197.87)/ton for Grade A varieties in Punjab during the 2000/01 marketing year. Prices in other states were somewhat lower. With the increase in the paddy support price, levy prices for milled rice are also likely to be increased by 5 to 6 percent from last year's level, further eroding the competitiveness of Indian rice in the world market. Burdened with mammoth stocks (22.2 million tons on August 1), the government is likely to pursue an export subsidy scheme, perhaps on a larger scale than this year.

Support prices for other kharif (monsoon season) coarse grains (corn, sorghum, millet) were increased by rs. 400 (\$8.51)/ton to rs. 4,850 (\$103.19)/ton. Except for rice, however, the gesture is only symbolic, as domestic market prices are typically higher than the announced supports. Support prices for kharif grains during the past few years are shown below (rs./metric ton).

Support Prices for Paddy and Kharif Coarse Grains (rs/mt):

Crop	MY 1997/98	MY 1998/99	MY 1999/00	MY 2000/01	MY 2001/02
Paddy (Common)	4,150	4,400	4,900	5,100	5,300
Paddy Grade A	4,450	4,700	5,200	5,400	5,600
Corn	3,600	3,900	4,150	4,450	4,850
Sorghum	3,600	3,900	4,150	4,450	4,850
Millet	3,600	3,900	4,150	4,450	4,850
Exchange Rate rs./US\$	37.16	42.50	43.0	45.5	47.0